which would be assessed USF contributions. The allocation problem would prove very difficult for residential subscribers because service bundles will vary among subscribers and will change constantly in response to market demands. The allocation problem would prove insoluble for bundles purchased by business consumers. In addition to a multiplicity of bundle configurations (which of course, can include equipment and non-telecommunications services, such as managed internet service, network management, and web hosting), rates for the same services will differ from customer to customer because the transactions are individually negotiated. Imposing USF contribution obligations on VoIP will not solve the USF funding problem that is inherent in bundled offerings. A telephone numbers-based assessment scheme would, however, work well in a bundled service environment.

In a recently released statement, the Keep USF Fair Coalition calls claims that the present funding mechanism can not be sustained a "hoax" and "phony," but it is the Coalition's filing that is misleading."[1] Keep USF Fair Coalition states that the USF fee has been "stable," by confining its hindsight to a very short period of time. The average USF Factor in 2005 (10.55%) was 20% higher than the average factor in 2004 (8.8%). The Coalition's "stable" factor has doubled since the year 2000 when the average factor was 5.7%.[2]

Keep USF Fair Coalition also misleads with its statement that "consumers are making lower USF payments today than they were in 2002." The FCC's USF Factor ranged from 6.86% at the start of 2002 to 7.28% at the end. That same factor is 10.2% today. Consumers are, without a doubt, paying more, in fact 50% more, in FCC USF charges today than in 2002. In February 2002, the USF revenues collected on a $6.00 SLC charge would have been $0.41 – in February 2006, $0.61 in USF revenues would be collected on that SLC. In order to make its statement Keep USF Fair Coalition must be including mark-ups that the long distance carriers added to the FCC's surcharge – mark-ups that were absolutely unrelated to the USF mechanism whatsoever, and that the FCC has since disallowed.

Policy makers should not kid themselves. There is a serious, looming USF funding problem. Fortunately, a solution has been well-developed. The

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1 Keep USF Fair, http://keepusffair.org/KeepUSFFair/report022706.html, released February 27, 2006.

2 Factors taken from Table 19.16 of the FCC's "Trends in Telephone Service" released June 21, 2005.

only proposal that will make USF support sustainable and predictable, while at the same time not increasing the phone bills for consumers and protecting low income consumers, is to assess USF contributions on the basis of working telephone numbers.

Sincerely,

James S. Blaszak

Levine, Blaszak, Block & Boothby, LLP
2001 L Street, NW, Suite 900
Washington, D.C. 20036
202-857-2550

Counsel for
Ad Hoc Telecommunications
Users Committee

cc: Chairman Kevin Martin
Commissioner Michael Copps
Commissioner Jonathan Adelstein
Commissioner Deborah Taylor Tate
Thomas Navin
Daniel Gonzalez
Narda Jones
Ian Dillner
Jessica Rosenworcel
Scott Bergmann
Aaron Goldberger

Docket # 96-45

Angela Boston

RECEIVED

APR - 3 2006

Federal Communications Commission
Office of the Secretary

From: Bonnie Morava [morava@occ.state.oh.us]

Sent: Monday, February 27, 2006 10:44 AM

To: bjgregg@cad.state.wv.us; SAP@cpuc.ca.gov; Carl_Johnson@dps.state.ny.us; thomas_dunleavy@dps.state.ny.us; Cathy Carpino; Dana Shaffer; Deborah Tate; Gary Seigel; Gina Spade; Ian Dillner; Jessica Rosenworcel; Jonathan Adelstein; Katie King; Kevin Martin; Michael Copps; Michelle Carey; Narda Jones; Theodore Burmeister; Poucher.earl@leg.state.fl.us; mlee@mt.gov; jramsay@naruc.org; e.seguin@occemail.com; pmcclelland@paoca.org; Peter.Pescosolido@po.state.ct.us; pbluhm@psb.state.vt.us; jeff.pursley@psc.ne.gov; ddowds@psc.state.fl.us; gfoglema@psc.state.fl.us; Lisa.edgar@psc.state.fl.us; lorraine_kenyon@rca.state.ak.us; joel.shifman@state.me.us; andrew.margeson@state.or.us; ray.baum@state.or.us; dparri@state.wy.us; jrichardson@urc.state.in.us; llandis@urc.state.in.us

Cc: DAVID BERGMANN

Subject: Ex Parte Communication in FCC Dockets 96-45, 01-92, and 03-133

All,

The attached document was filed on behalf of NASUCA in the above referenced dockets at the FCC today.

Bonnie Morava

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NASUCA
NATIONAL ASSOCIATION
OF STATE UTILITY
CONSUMER ADVOCATES

Chairman Kevin Martin
Commissioner Jonathan Adelstein
Commissioner Michael Copps
Commissioner Deborah Tate
Federal Communications Commission (via e-mail)

Ex parte communication,
FCC Dockets 96-45, 01-92, 03-133

February 27, 2006

Dear Chairman Martin and Commissioners:

For a number of years, the opinion has been expressed that the Federal Communications Commission's current universal service contribution mechanism, which bases contributions on interstate revenues, is "broken" and needs to be replaced by a connections-based or numbers-based mechanism.[1] In the past, it was asserted that the revenues-based mechanism was in a "death spiral."[2] This view is supposedly grounded in concerns about the level of interstate revenues. **The facts show these concerns to be exaggerated.**

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[1] See, e.g., February 1, 2006 ex parte presentation by CTIA - The Wireless Association®; remarks of Senator Ted Stephens to the National Association of Regulatory Commissioners (February 2006), http://commerce.senate.gov/newsroom/printable.cfm?id=251507.

[2] See CC Docket No. 96-45, Coalition for Sustainable Universal Service *ex parte* (November 14, 2001).

The National Association of State Utility Consumer Advocates ("NASUCA"[3]) seeks to bring the Commission's attention to the fact that interstate revenues as reported to the Commission have remained stable, as shown on the attached charts. The contribution base in the first quarter of 2006 (1Q06) is actually slightly higher than the contribution base from the first quarter of 1999 (1Q99), a period of seven years. The current level of $18.45 billion is only 12% less than the high of $20.96 billion in 4Q00 but is 12% higher than the low of $16.43 billing in 1Q05. Indeed, in the face of increasing USF need (as discussed below), the contribution factor has remained relatively stable over the last five quarters.

This means there is no pressing need -- indeed, possibly no long-term need -- for the Commission to adopt a contribution mechanism other than the current mechanism based on interstate and international revenues.

Some stakeholders argue that the revenue-based mechanism needs to be changed because, they allege, it is becoming more difficult to identify interstate traffic, given the increasing bundling of services. Again, the facts show otherwise. For example, carriers currently disaggregate their interstate and intrastate revenues for a variety of purposes, including the assessment of taxes and regulatory charges. And the "safe harbors" that the Commission has adopted for some services probably understate the current level of interstate traffic.

Some also argue that the move to Internet-based services threatens the traditional wireline long distance revenue base, and requires movement to a connection-based mechanism. Yet the Commission has already asserted exclusive jurisdiction over these services; it is clearly within the Commission's ability and, moreover, entirely appropriate to require such services to make USF contributions.[4] Other means of increasing the revenue base were described in appendices to NASUCA's September 30, 2005 comments filed in the CC Docket No. 96-45.

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[3] NASUCA is a voluntary, national association of 45 consumer advocates in 42 states and the District of Columbia, organized in 1979. NASUCA's members are designated by the laws of their respective states to represent the interests of utility consumers before state and federal regulators and in the courts. *See, e.g.*, Ohio Rev. Code Chapter 4911; 71 Pa. Cons. Stat. Ann. § 309-4(a); Md. Pub. Util. Code Ann. § 2-205(b); Minn. Stat. Ann. Subdiv. 6; D.C. Code Ann. § 34-804(d). Members operate independently from state utility commissions, as advocates primarily for residential ratepayers. Some NASUCA member offices are separately established advocate organizations while others are divisions of larger state agencies (*e.g.*, the state Attorney General's office). Associate and affiliate NASUCA members also serve utility consumers, but have not been created by state law or do not have statewide authority.

[4] *In the Matter of Appropriate Framework for Broadband Access to the Internet over Wireline Facilities*, CC Docket No. 02-33, Report and Order, FCC 05-150 (rel. September 23, 2005), ¶¶ 112-113. In that order, the Commission continued assessing digital subscriber line service until June 20, 2006. NASUCA urges the Commission to make that policy permanent, and also to assess other similar services. The Commission should not hesitate to assess these services despite the fact that they cannot currently receive funds from the federal USF. Wireline interstate long distance services are the traditional source for universal service funding, despite the fact that none of the USF benefits such services; nonetheless, they benefit from the ubiquitous network.

Of course, the key task is to keep the draw on the fund within reasonable levels. The Commission has many proposals before it to limit the growth in the fund; NASUCA's proposals in this regard were also presented in the September 30 comments.

Despite these facts, some continue to argue that the revenue-based mechanism needs to be replaced with a connections-based or a numbers-based mechanism. NASUCA continues to oppose these proposals because a connection-based mechanism inevitably shifts USF responsibility from those who use interstate services (as with the current revenue mechanism) to those who merely have access to the local network, regardless of their interstate usage, or even of their intrastate usage. This inevitably shifts the burden of supporting the entire USF and all the programs it contains onto lower use and lower income consumers. This shifting of burdens is not in the public interest.

Neither is it in the public interest that a connections-based mechanism allows carriers who provide interstate services but have no end-user connections to evade responsibility for USF assessments.[5] These carriers -- typically interexchange carriers -- have traditionally been the source of USF contributions.

Many of those who predict doom for the revenue-based contribution mechanism do so not only because of the supposed threats to the contribution base -- which, as noted, have not materialized -- but because of the dangers of substantial increases to the USF itself. That is clearly part of the message of the Intercarrier Compensation Forum ("ICF"). ICF's original "solution" to the intercarrier compensation issue is to move to a system where carriers do not compensate each other for use of their networks (i.e., pure "bill-and-keep"). ICF proposes to make up all lost revenues resulting from the change through a combination of direct end-user rate increases and a huge increase in the USF. Skeptics might, therefore, view ICF's reliance on a connections-based mechanism as largely window dressing, reasonably thinking that massive changes to the mechanism will create enough confusion to hide the increase in the USF. As NASUCA has previously demonstrated, however, the revenue-based mechanism is actually more robust and equitable than a connection-based mechanism, especially where the needs of the fund grow substantially.[6]

Those who support the transition from the current revenue-based mechanism to another mechanism do not discuss the costs of that transition,[7] which are certain to be substantial

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[5] CTIA proposes a revenue mechanism for carriers that have no connections or numbers. CTIA February 1, 2005 ex parte at 7. Carriers will likely obtain *de minimis* numbers of connections in order to have their revenues exempt from assessment. And carriers are equally likely to take advantage of arbitrary definitions and assessments of connections. See id. at 5.

[6] CC Docket No. 96-45, et al., NASUCA Reply Comments on Staff Study (May 16, 2003) at 7-11. No party has, to NASUCA's knowledge, attempted to refute these findings.

[7] See CTIA February 2, 2006 ex parte.

and are certain to result in demands by carriers seeking a mandatory pass-through of those costs. Those costs will be magnified, of course, if the transition period is brief.[8]

In considering all these facts, NASUCA urges the Commission not to move away from the current revenue-based USF contribution mechanism. There are more gradual, less radical changes that will adequately preserve and advance the USF.

Respectfully submitted,

/s/ David C. Bergmann
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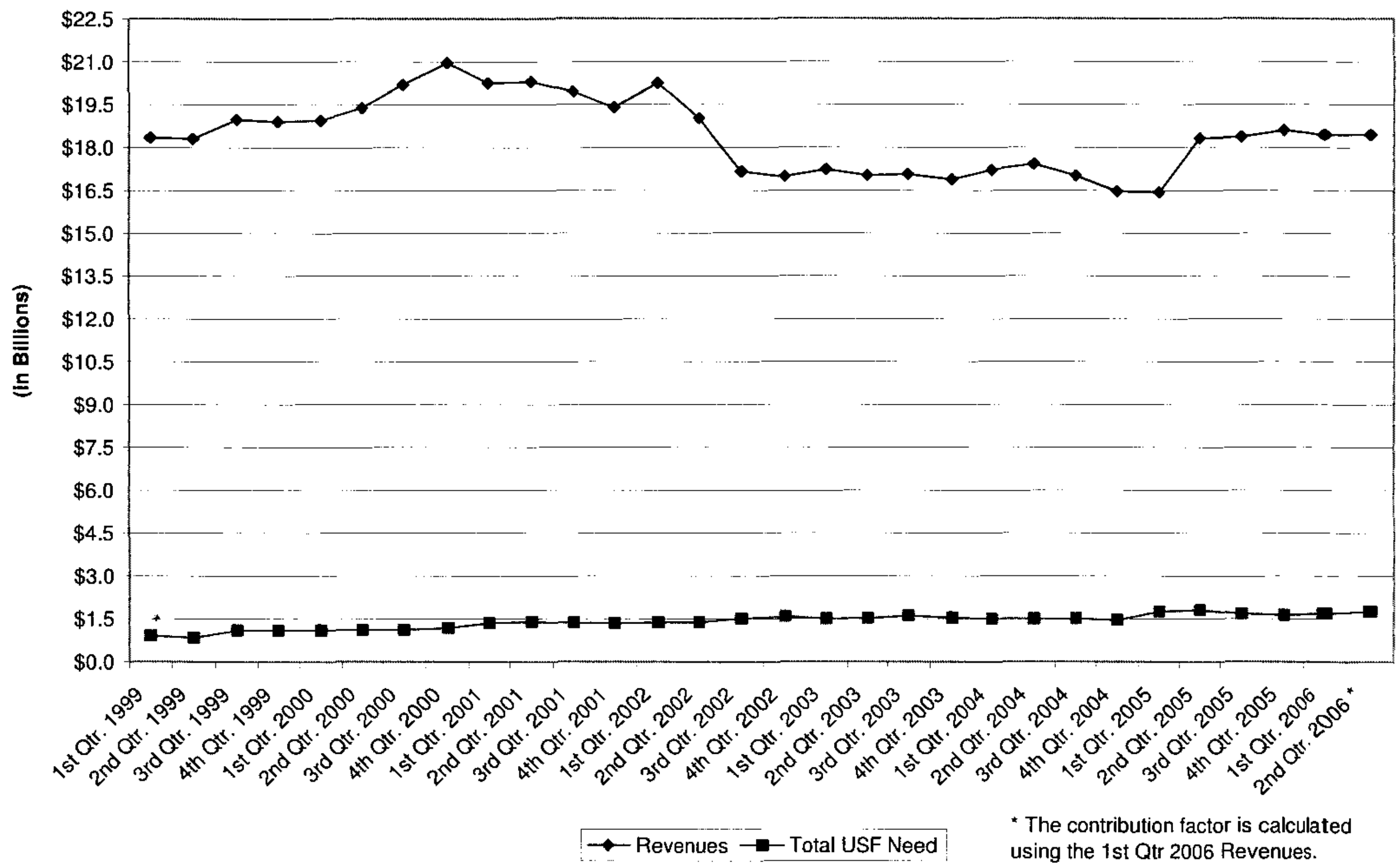
CC: Federal-State Joint Board on Universal Service (and Joint Board Staff).

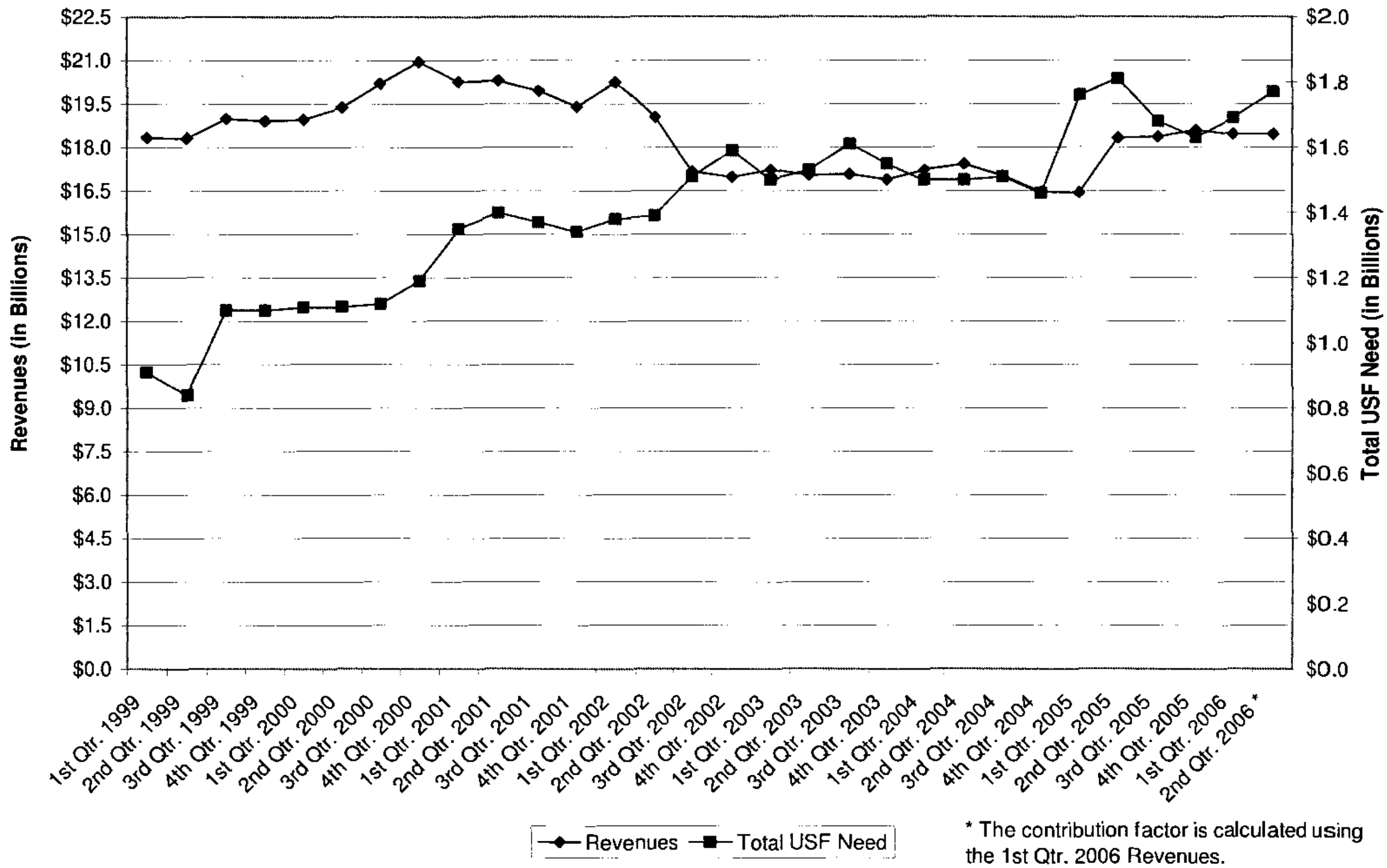
[8] Id. at 7.

Chart 1



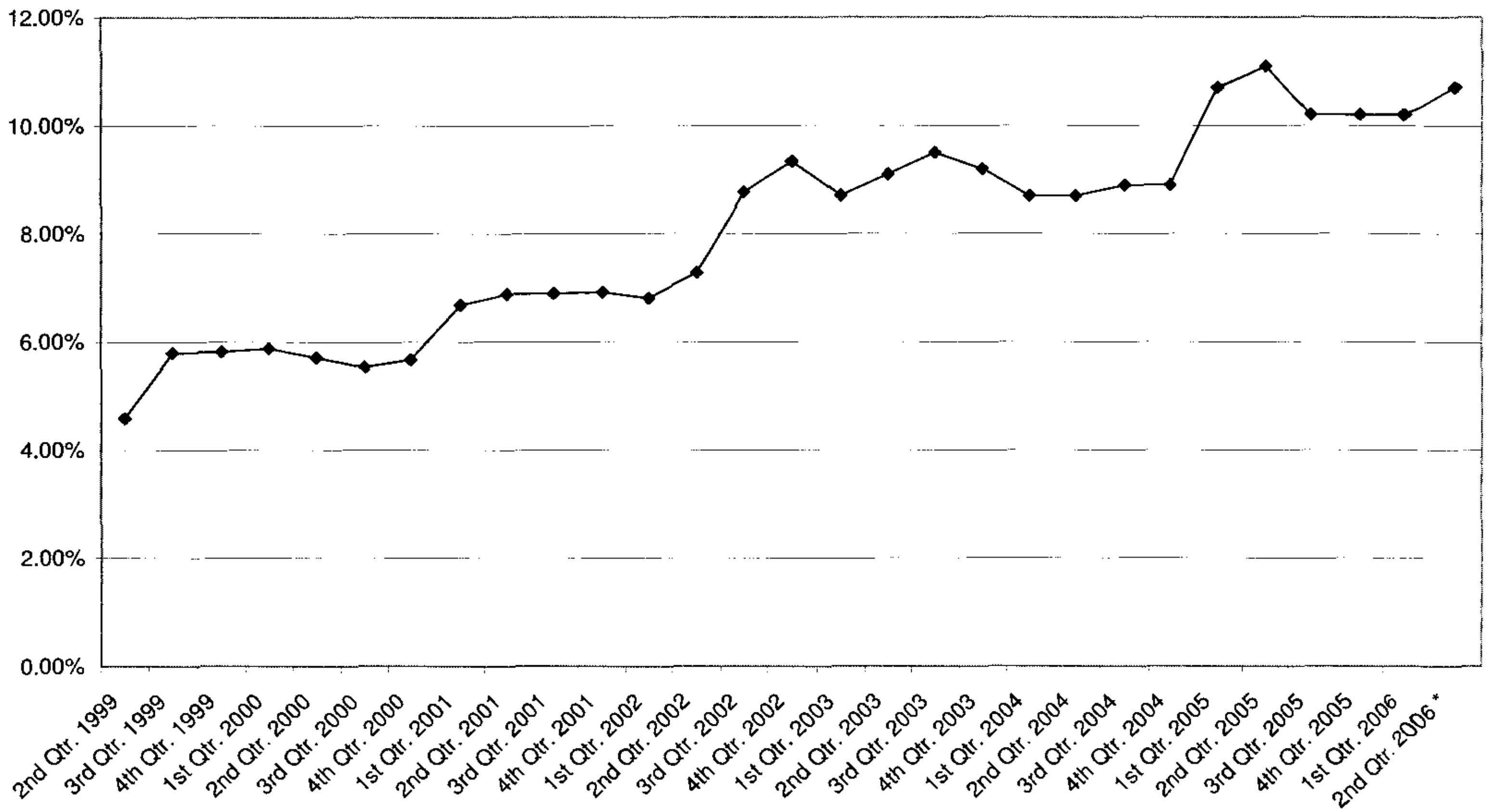
* The contribution factor is calculated using the 1st Qtr 2006 Revenues.

Universal Service Fund



* The contribution factor is calculated using the 1st Qtr. 2006 Revenues.

Universal Service Fund
Contribution Factor



* The contribution factor is calculated using the 1st Qtr. 2006 Revenues.

USF Contribution Fund

	Revenues	Total USF Need	Contribution Factor
1st Qtr. 1999	18.35	0.91	0.050
2nd Qtr. 1999	18.31	0.84	0.046
3rd Qtr. 1999	18.99	1.10	0.058
4th Qtr. 1999	18.91	1.10	0.058
1st Qtr. 2000	18.96	1.11	0.059
2nd Qtr. 2000	19.38	1.11	0.057
3rd Qtr. 2000	20.20	1.12	0.055
4th Qtr. 2000	20.96	1.19	0.057
1st Qtr. 2001	20.26	1.35	0.067
2nd Qtr. 2001	20.30	1.40	0.069
3rd Qtr. 2001	19.94	1.37	0.069
4th Qtr. 2001	19.40	1.34	0.069
1st Qtr. 2002	20.25	1.38	0.068
2nd Qtr. 2002	19.03	1.39	0.073
3rd Qtr. 2002	17.16	1.51	0.088
4th Qtr. 2002	16.98	1.59	0.093
1st Qtr. 2003	17.23	1.50	0.087
2nd Qtr. 2003	17.03	1.53	0.091
3rd Qtr. 2003	17.07	1.61	0.095
4th Qtr. 2003	16.89	1.55	0.092
1st Qtr. 2004	17.22	1.50	0.087
2nd Qtr. 2004	17.42	1.50	0.087
3rd Qtr. 2004	17.02	1.51	0.089
4th Qtr. 2004	16.47	1.46	0.089
1st Qtr. 2005	16.43	1.76	0.107
2nd Qtr. 2005	18.33	1.81	0.111
3rd Qtr. 2005	18.37	1.68	0.102
4th Qtr. 2005	18.61	1.63	0.102
1st Qtr. 2006	18.45	1.69	0.102
2nd Qtr. 2006 *	18.45	1.77	0.107

Source: Contribution Factor Public Notices.

Note - For the fourth quarter of 2005, because of the impact of Hurricane Katrina, the FCC adjusted the contribution base to $17.87 billion to maintain the contribution factor at 10.2%.

* The contribution factor is calculated using the 1st Qtr. 2006 Revenues.

Angela Boston

DOCKET # 96-45

From: Art & Linda V. [avnlvil@consolidated.net]

Sent: Wednesday, February 08, 2006 11:12 PM

To: Deborah Tate; Jonathan Adelstein; Michael Copps; KJMWEB

Subject: Request for Amendments to CFR 47

RECEIVED

APR - 3

Federal Communications Commission
Office of the Secretary

FCC Commissioners,

Please accept the attached petition for amendments to CFR 47 rules regarding the Universal Service Fund Program.

Thank you in advance for taking quick action on this request.

Art Varga

Arthur J. Varga
920 N. 10th Street
Mattoon, IL 61938

February 8, 2006

Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Subject: Petition for amendment of CFR Title 47, Volume 1, Part 54

Commissioners,

Rules and regulations for the Universal Service Fund Program must be amended or repealed to prevent serious harms to telecommunications consumers. Current rules and regulations place no limits on contributions intended for Subparts B, C, and D, Universal Support for Rural, Insular and High Cost Areas.

USF contributions that are being levied on consumers by telecommunications providers have become a large percentage of their monthly bills. Under current rules and regulations, telecommunications carriers are permitted to “tax” their customers to pay for the expansion of services into rural, insular and high cost areas without regard to cost and accountability.

CFR Title 47, Volume 1, Part 54 must be amended to eliminate, or roll back and cap, the amount of USF contributions that telecommunications carriers can pass on to consumers. Failing to do so has already allowed the rates of telephone service to increase beyond the point of affordability for people who are living on fixed incomes.

Amended rules and regulations are necessary to make it mandatory that all USF contributions be audited by independent auditors and to ensure that all carriers are truthful and not taxing their customers for equipment and facilities that do not meet the intended use of federal universal service support. Any and all infractions must carry punitive consequences of at least 100 times the amount of contribution support received by the carriers.

Amended rules and regulations are necessary to eliminate or limit the amount of monthly contributions that can be passed on to consumers. Telecommunications providers should not be given the authority to tax end-users, and the total amount of USF contributions should never exceed one U.S. dollar per month per single twisted copper pair, regardless of how many services are carried on that copper pair. It is unconscionable that a customer be charged separate USF contribution fees for local service, long distance service, and Internet service and for having a touch-tone telephone that use the same Local Exchange cable pair.

Amended rules and regulations are necessary to prohibit State mandated USF charges. These programs are duplicated efforts and create double-taxation on consumers.

Amended rules and regulations are necessary to investigate, restrain, and prosecute not-for-profit organizations, run by or supported by telephone providers, who solicit donations to accomplish the same goals as the Federal Universal Fund Program.

Amended rules and regulations are also necessary to restructure disbursements among the four components of the USF program. The highest priority should be for Low-Income support -- providing telephone service to qualifying low-income consumers. Low- income qualifications must be amended to take into account the high cost of medical care and medical insurance paid by consumers. The second highest priority should be for Rural Health Care. The third highest priority should be for Schools and Libraries -- helping to ensure that the nation's classrooms and libraries have access to educational resources that are accessible through the telecommunications network. And the lowest priority should be for the High-Cost component of the program -- providing financial support to companies that furnish telecommunications services in areas of America where the cost of providing service is high.

These amendments are necessary because the cumulative effect of the added fees: State taxes, Municipal taxes, Federal excise tax, 911 recovery charges, LNP recovery charges, Federal and State USF charges, FCC authorized charges for Network Access, and Telecom Relay service charges, has made telephone service unaffordable for a growing number of U.S. citizens.

Commissioners, I implore you to take immediate action on this request and to review all, and eliminate many, of the added fees that have been tacked on to basic telephone service. Failing to do so will make telephone service only affordable for the wealthy and would be admitting that the telecommunications companies have been entrusted to make the rules and regulations.

Thank you in advance for helping me keep my telephone in service. If you are successful, I will be able to answer your call at (217) 235-2663.

Respectfully submitted,

Art Varga